

State Dept. declassification & release instructions on file

DATE: 22 Aug 74 STATINTL

TO: Messrs. Proctor/Walsh/

FROM: Jack

STATINTL

SUBJECT: Further on GAO Visit to Hong Kong

REMARKS:

Attached is a lengthy cable from Hong Kong elaborating on the visit of two GAO reps to the city. They were very pleased with their first visit-- 12-16 August -- and would like a curtain call in early September. They also plan a stop in Tokyo and possibly Singapore during their September swing.

STATINTL

Any further dissem?

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TO RUEHC/SECSTATE WASHDC 1950

INFO RUEHNG/USLO PEKING 2410

RUEHKO/AMEMBASSY TOKYO 7305

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C O N F I D E N T I A L SECTION 1 OF 2 HONG KONG 9349

EXDIS

E.O. 11652: GDS

TAGS: AFSP

SUBJ: GAO REVIEW: EAST-WEST TRADE

REF: STATE 169360; STATE 163503

SUGGEST DEPARTMENT PASS TO COMMERCE AS WELL AS EA, EB AND A

1. SUMMARY: ~~Approved For Release 2002/01/03 : CIA-RDP80B01495R000800060027-9~~

TRADE PROBLEMS, SAID THEY WERE HIGHLY PLEASED WITH THEIR

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qdd!

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INTENSIVE AUGUST 12-16 PROGRAM OF INTERVIEWS WITH CONGEN
OFFICERS, U.S. AND HONG KONG. APPROVED FOR RELEASE 2002/01/03 : CIA-RDP80B01495R000800060027-9
TRADE OFFICIALS. REALIZATION OF POTENTIAL COMPLICATIONS
LED TO WITHDRAWAL OF THEIR INITIAL REQUESTS FOR CALLS ON
CHINA RESOURCES COMPANY AND BANK OF CHINA AS WELL AS TO
MODIFICATION THEIR PRECONCEPTIONS AS TO PRC-U.S. TRADE
DETERMINANTS AND CONDITIONING FACTORS. TENTATIVE PLANS
CALL FOR FOLLOW-UP VISIT HERE EARLY SEPTEMBER FOR FURTHER
INTERVIEWS AS WELL AS FURTHER REVIEWS OF CONGEN FILES.
CONGEN'S PRIOR SCREENING OF FILES PER FAM RELUCANTLY
ACCEPTED PENDING FURTHER GAO DISCUSSION WITH STATE LEGAL
OFFICIALS. DURING VISIT, WASHINGTON GAO PROJECT MANAGER
RICHARD PRICE SPEARHEADED QUESTIONS AND DISCUSSIONS WITH
DENIS SMITH FROM GAO'S HAWAIIAN OFFICE GENERALLY LISTEN-
ING AND NOTETAKING. SMITH, ACCOMPANIED BY ANOTHER OFFICER
FROM HAWAII, PLANS HANDLE SEPTEMBER VISIT ALONG WITH STOPS
AT TOKYO AND POSSIBLY SINGAPORE BEFORE OR AFTER HONG KONG
VISIT . END SUMMARY

2. AREAS OF ENQUIRY INTO CHINA TRADE AS DESCRIBED TO

CONGEN AT OUTSET AND REITERATED PRIOR TO OUTSIDE INTER-
VIEWS WERE:

- A) TRADE EFFECTS OF WASHINGTON'S PRESENT POLICY
AND DECISION-MAKING STRUCTURE;
- B) POSSIBILITIES OF PROMOTING TRADE;
- C) METHODS OF CONTROLLING AND MONITORING TRADE;
- D) LONG-TERM POLICY AND PLANNING.

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3. IN WIDE -RANGING DISCUSSION WITH MEMBERS OF THE

AMERICAN CHAMBER 'S CHINA COMMERCIAL RELATIONS COMMITTEE,

BUSINESSMEN COMPLAINED THAT PRC WAS OVERESTIMATED.
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MARKETING TECHNIQUES, SUPPLY CONSTRAINTS, AND COMPETITIVE DISADVANTAGE OF U.S. FIRMS IN EXPORT FINANCING. PRC WAS DESCRIBED AS OVERRATED MARKET, WITH SEVERAL BUSINESSMEN INSISTING THAT IF U.S. COMPANIES WOULD PUT ONE- FIFTH PRESENT PRC SALES EFFORT INTO SOUTHEAST ASIAN MARKET THEY WOULD GAIN FAR MORE VALUABLE RETURN. IN A LONG DISCUSSION ON EXPORT CONTROLS, BUSINESSMEN CAME DOWN SOLIDLY AGAINST CURRENT END-USE REQUIREMENTS FOR PRC, ALTHOUGH SOME WERE CONCERNED ABOUT UNCONTROLLED TRANSFER OF TECHNOLOGY. NATIONAL COUNCIL OF U.S. -CHINA TRADE ALSO CRITICIZED FOR PLACING TOO MUCH EMPHASIS ON BIG EXPORTERS.

4. THROUGHOUT SESSION GAO TEAM LARGELY CONTENTED THEMSELVES WITH ASKING LEADING QUESTIONS. UNPERTURBED AT APPARENT NAIVETE OF ENQUIRES, AND FLATTERED BY BEING CONSULTED ON TRADE POLICY BY WASHINGTON VISITORS, CHAMBER COMMITTEE OFFERED TO HOLD FURTHER SHIRT-SLEEVE SEMINAR ON THESE AND RELATED QUESTIONS IN SEPTEMBER WHEN GAO REPRESENTATIVES RETURN.

5. GAO APPROACH IN SUBSEQUENT MEETINGS WITH UK, CANADIAN, AUSTRALIAN AND WEST GERMAN TRADE OFFICIALS REFLECTED GROWING UNDERSTANDING. PRICE APPEARED SURPRISED AT HOW LITTLE OTHER GOVERNMENT DID IN EITHER DIRECT ASSISTANCE OR MONITORING OF TRADE WITH PRC. PERHAPS CONDITIONED BY HIS PERCEPTION ABOUT THE CLOSE RELATIONSHIP BETWEEN GOVERNMENT AND BUSINESS IN JAPAN, HE SEEMED ALMOST IN-

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CREDULOUS WHEN, ONE AFTER ANOTHER, THE THREE DIPLOMATS
SAID THEIR GOVERNMENT'S THOUGHT BUSINESS DID BETTER ON
ITS OWN WITHOUT GOVERNMENT CONTROL AND DIRECTION. ALL
AGREED, HOWEVER, THAT GOVERNMENT DID PLAY A VALUABLE
ROLE IN: MAKING OVERALL ECONOMIC AND TRADE ANALYSES ON
THE PRC (BECAUSE THE EFFORT WAS BEYOND CAPABILITY OF
MANY FIRMS TO WHOM PRC IS JUST ONE OF MANY MARKETS); IN
PROVIDING ON-THE-SPOT ADVICE IN PEKING AND AT THE CANTON
TRADE FAIR; AND, IN FOLLOWING UP GOOD PROPOSALS WITH
CHINESE TRADE OFFICIALS (MUCH CHEAPER FOR A FIRM THAN
SENDING ONE OF ITS OWN OFFICIALS ALL THE WAY TO PEKING).

6. OTHER CONTACTS MADE BY TEAM TENDED TO REINFORCE
VIEWS OBTAINED FROM CHAMBER AND OTHER COUNTRY OFFICIALS.
AT HIS WRAP-UP INTERVIEW WITH CONSUL GENERAL ON AUGUST 16,
PRICE SAID SCHEDULE AND PROGRAM HERE PROVIDED MANY USEFUL
MEETINGS AND REFLECTED "GOOD USE OF OUR TIME". HE SAID
HE RECOGNIZED LIMITATIONS ON OPPORTUNITIES FOR DIRECT
TRADE PROMOTION AND THAT BASIC POLITICAL AND ECONOMIC
DECISIONS BY CHINA WILL DETERMINE OUR TRADE POTENTIALS.
SHORT OF RESOLVING UNDERLYING POLITICAL PROBLEMS OF
DIPLOMATIC RELATIONS, THERE IS LITTLE THAT USG CAN DO
DIRECTLY. EVEN WITH MFN, CLAIMS SETTLEMENT, ETC., BEST
EXPECTATIONS ARE FOR CONTINUED SLOW GROWTH OF TRADE.

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FM AMCONSUL HONG KONG

TO RUEHC/SEC STATE WASHDC 1951

INFO RUESNG/USLO PEKING 2411

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C O N F I D E N T I A L SECTION 2 OF 2 HONG KONG 9349

EXDIS

7. PRICE SAID GAO FINAL REPORT ON EAST-WEST TRADE WAS
DUE AT END OF YEAR BUT PROBABLY WOULD BE IN EARLY 1975.

SEPTEMBER FOLLOW UP TRIP IN HONG KONG IS TO COVER FURTHER

TALKS WITH COMPANIES, THIRD COUNTRY REPRESENTATIVES, FAR

EASTERN ECONOMIC REVIEW AND BUSINESS INTERNATIONAL

STAFFS, FILES REVIEW AND AMCHAM SEMINAR. ALSO UNDER

CONSIDERATION WAS FURTHER VISIT TO TOKYO AND SIDE TRIP
TO SINGAPORE FOR INTERVIEWS WITH U.S. OIL AND MINING
COMPANIES ON ACTUAL OR POTENTIAL TRADE RELATIONS WITH PRC.
MEANWHILE, GAO ENQUIRY IN U.S. WILL INCLUDE DISCUSSIONS
WITH USG AGENCIES, U.S. COMPANIES HEADQUARTERS AND TRADE
ASSOCIATIONS.

8. OUR INITIAL CONCERN ABOUT GAO INSISTENCE ON CONTACTING
PRC AGENCIES-- CHINA RESOURCES AND BANK OF CHINA. -- WAS
DISSIPATED WITH TEAM SENSIBLY TOOK OUR ADVICE THAT COM-
PLICATIONS AND POSSIBLE MISUNDERSTANDINGS WOULD NOT BE
WORTH SMALL AMOUNT OF INFORMATION LIKELY TO BE OBTAINED.
PROBLEMS OF ACCESS TO FILES WAS NOT SO EASILY RESOLVED.
HERE TEAM SEEMED TO WANT TO TEST US TO SEE HOW FAR THEY
COULD GAIN ACCESS WHEN THERE WAS CLEARLY ALREADY NOT
ENOUGH TIME TO ACTUALLY READ INTO THE VOLUME OF FILES
THEY WERE REQUESTING. THEY ASKED TO EXAMINE FILES ON
82 SUBJECT HEADING WITH PRIORITY TO 19 IN PRC ECONOMIC
AFFAIRS (GENERAL), FOREIGN TRADE AND TRADE PROMOTION
(WHICH INCLUDES OUR FILES ON THE CANTON TRADE FAIR).
WE SCREENED THE 19 IN ACCORDANCE WITH 4 FAM 934. THE
TEAM INITIALLY CLAIMED WE WERE NOT SUPPOSED TO DO THAT;
THEN, UPON BEING SHOWN 4 FAM 934, ASSERTED WE WERE

OBLIGED TO PROVIDE A LIST OF ANYTHING REMOVED FROM THE

FILES

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9. MORE STICKY WAS QUESTION TO ACCESS TO INFORMATION

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ARGUES VIGOROUSLY THAT CONFIDENTIALITY WOULD BE PRESERVED BY GAO, AND THAT GAO HAD ACCESS TO SUCH INFORMATION IN DEPARTMENT OF COMMERCE AND GAO AND INCORPORATED IN AN EXCHANGE OF LETTERS WITH COMMERCE'S GENERAL COUNSEL. PRICE SAID SIMILAR GROUND RULES WERE DISCUSSED AT AN INTER-AGENCY MEETING, AND THAT [REDACTED] AND POSTS WERE TO BE SO INFORMED. PRICE INTENDED TO PURSUE QUESTION OF ACCESS TO [REDACTED], INCLUDING AN EXAMINATION OF MATERIALS WERE CONSIDER SENSITIVE, UPON HIS RETURN TO WASHINGTON.

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10. POST COMMENT. FROM BEGINNING IT WAS APPARENT THAT GAO REPRESENTATIVES LACKED BACKGROUND UNDERSTANDING OF PRC POLITICAL AND ECONOMIC CONDITIONS AFFECTING TRADE RELATIONS, PROSPECTS AND POSSIBLE METHODS OF DOING

BUSINESS WITH CHINA. AS PAINSTAKING EXPLANATIONS BY

CONGEN'S OFFICERS AND LOCAL BUSINESSMEN BEGAN TO REGISTER

GAO QUESTIONS, COMMENTS AND EVEN UNDERLYING HYPOTHESES

AND THEIR CONCEPT OF ISSUES BEGAN TO ALTER. IN THE END, Approved For Release 2002/01/03 : CIA-RDP80B01495R000800060027-9

WE FEEL TEAM WAS BEGINNING TO OBTAIN SOME BASIC UNDER-
STANDING OF PROBLEMS AND POSSIBILITIES IN CHINA TRADE
AND MAY EVEN INCORPORATE THIS IN A REPORT USEFUL TO CONGRESS
SINCE SUCH VISITS APPARENTLY CANNOT BE
DEFLECTED, WE ARE PREPARING TO CONTINUE OUR EDUCATIONAL
EFFORTS AND THERE IS MORE GROUND STILL TO BE COVERED
THAN THAT COVERED IN THE WEEK THEY ALLOTTED TO THEIR
FIRST VISIT HERE. HOWEVER, WE SEE NO POINT IN THEIR
SPENDING TIME ARGUING WITH US ABOUT ACCESS TO THE FILES
AND HOPE THAT DEPARTMENT CAN CLEAR THIS UP WITH GAO
BEFORE ANY FURTHER VISIT. IN VIEWS OF OUR CONTINUED
DOUBTS ABOUT GAO'S ABILITY TO MAINTAIN THE DEGREE OF
CONFIDENTIALITY NECESSARY

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WE RECOMMEND AGAINST

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ACCESS TO FILES DESCRIBED PARA 9. WE ALSO WILL CON-
TINUE TO KEEP THE GAO REPRESENTATIVES AWAY FROM THE
PRC AGENCIES IN HONG KONG WHICH WOULD UNDOUBTEDLY
MISINTERPRET THE WHOLE NATURE OF THE ENQUIRY EVEN IF
WE TRIED TO CONDITION THEM. END POST COMMENTCROSS

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